



DEPARTMENT OF EDUCATION

Federal Need Analysis Methodology for the 2022-23 Award Year--Federal Pell Grant, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, Iraq and Afghanistan Service Grant, and TEACH Grant Programs

AGENCY: Federal Student Aid, U.S. Department of Education.

ACTION: Notice.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year (AY) 2022-23 for student financial aid programs, Assistance Listing Numbers 84.063, 84.033, 84.007, 84.268, 84.408, and 84.379. The intent of this notice is to alert the financial aid community and the broader public to these required annual updates used in the determination of student aid eligibility.

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SUPPLEMENTARY INFORMATION: Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department of Education (Department) uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of the HEA requires the Secretary to annually update the following four tables for price inflation--the Income Protection Allowance (IPA), the Adjusted Net Worth (NW) of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The updates are based, in general, upon increases in the Consumer Price Index (CPI).

For AY 2022-23, the Secretary is charged with updating the IPA for parents of dependent students, adjusted NW of a business or farm, the education savings and asset protection allowance, and the assessment schedules and rates to account for inflation that took place between December 2020 and December 2021. However, because the Secretary must publish these tables before December 2021, the increases in the tables must be based on a percentage equal to the estimated percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for 2021. The Secretary must also account for any under- or over-estimation of inflation for the preceding year.

In developing the table values for the 2021-22 AY, the Secretary assumed a 2.0 percent increase in the CPI-U for

the period December 2019 through December 2020. The actual inflation for this time period was 1.2 percent. The Secretary estimates that the increase in the CPI-U for the period December 2020 through December 2021 will be 1.8 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the IPA tables for the 2009-10 through 2012-13 AYs and required the Department to use a percentage of the estimated CPI to update the table in subsequent years. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. This notice includes the new 2022-23 AY values for the IPA tables, which reflect the CCRAA amendments. The updated tables are in sections 1 (Income Protection Allowance), 2 (Adjusted Net Worth of a Business or Farm), and 4 (Assessment Schedules and Rates) of this notice.

Under section 478(d) of the HEA, the Secretary must also revise the education savings and asset protection allowances for each AY. The Education Savings and Asset Protection Allowance table for AY 2021-22 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the employment expense

allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics' marginal costs budget for a two-worker family compared to a one-worker family. The items covered by this calculation are: Food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for AY 2022-23 has been updated in section 5 of this notice.

Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service. After review of the 2018 Statistics of Income data file, the Secretary has determined that for AY 2022-2023 this table will not be updated. Changes to tax law in 2018 resulted in a cap of state, local, and other taxes that can be claimed as deductions on federal income tax returns. This led to a large drop in the share of filers claiming the deduction and thus the total amount of these taxes paid, causing the Statistics of Income data file to less accurately reflect state, local, and other taxes paid in 2018. While the 2018 Statistics of Income data file shows a substantial decline in state, local, and other taxes paid as share of income, more accurate data confirms that the year-over-year change in share of income put toward state and local taxes paid as a share of income grew from 9.80 percent to 9.89 percent.

Therefore, the table in section 6 of this notice has not been updated and will remain the same as AY 2021-2022.

The HEA requires the following annual updates:

1. Income Protection Allowance. This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset against the family's income. The allowance varies by family size. The IPA for dependent students is \$7,040. The IPAs for parents of dependent students for AY 2022-23 are as follows:

Parents of Dependent Students

Family size	Number in College				
	1	2	3	4	5
2	\$19,630	\$16,270			
3	24,440	21,100	\$17,740		
4	30,190	26,830	23,490	\$20,130	
5	35,620	32,260	28,920	25,560	\$22,220
6	41,670	38,310	34,970	31,610	28,270

For each additional family member add \$4,700. For each additional college student subtract \$3,340.

The IPAs for independent students with dependents other than a spouse for AY 2022-23 are as follows:

Independent Students With Dependents Other Than a Spouse

Family size	Number in College				
	1	2	3	4	5
2	\$27,720	\$22,980			
3	34,520	29,800	\$25,060		
4	42,620	37,900	33,180	\$28,430	
5	50,300	45,550	40,830	36,100	\$31,380
6	58,820	54,090	49,380	44,620	39,910

For each additional family member add \$6,640. For each additional college student subtract \$4,720.

The IPAs for single independent students and independent students without dependents other than a spouse for AY 2022-23 are as follows:

Independent Students Without Dependents Other Than Spouse		
Marital status	Number in College	
	1	2
Single	\$10,950	
Married	17,550	\$10,950

2. Adjusted Net Worth of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an EFC because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the following schedule. This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a business or farm is	Then the adjusted NW is
Less than \$1	\$0.
\$1 to \$140,000	\$0 + 40% of NW.
\$140,001 to \$420,000	\$56,000 + 50% of NW over \$140,000.
\$420,001 to \$700,000	\$196,500 + 60% of NW over \$420,000.
\$700,001 or more	\$364,000 + 100% of NW over \$700,000.

3. Education Savings and Asset Protection Allowance.

This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: One for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students, and
Independent Students With Dependents Other Than a Spouse, and
Independent Students Without Dependents Other Than a Spouse

If the age of the older parent is, or If the age of the independent student is	And the older parent or the independent student is	
	Married	Single
	Then the allowance is	
25 or less	0	0
26	200	0
27	400	0
28	600	0
29	800	0
30	1,000	0
31	1,200	0
32	1,400	0
33	1,700	0
34	1,900	0
35	2,100	0
36	2,300	0
37	2,500	0
38	2,700	0
39	2,900	0
40	3,100	0
41	3,200	0
42	3,200	0
43	3,300	0
44	3,400	0
45	3,500	0
46	3,600	0
47	3,700	0
48	3,700	0
49	3,800	0
50	3,900	0
51	4,000	0
52	4,100	0
53	4,200	0

54	4,400	0
55	4,500	0
56	4,600	0
57	4,700	0
58	4,900	0
59	5,000	0
60	5,100	0
61	5,300	0
62	5,400	0
63	5,600	0
64	5,800	0
65 or older	5,900	0

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents other than a spouse--are used to determine the EFC from family financial resources that contribute to educational expenses. For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The contribution of parents of dependent students, and independent students with dependents other than a spouse, is computed according to the following schedule:

If AAI is	Then the contribution is
Less than -\$3,409	-\$750
-\$3,409 to \$17,500	22% of AAI.
\$17,501 to \$22,000	\$3,850 + 25% of AAI over \$17,500.
\$22,001 to \$26,500	\$4,975 + 29% of AAI over \$22,000.
\$26,501 to \$31,000	\$6,280 + 34% of AAI over \$26,500.
\$30,001 to \$35,500	\$7,810 + 40% of AAI over \$31,000.
\$35,501 or more	\$9,610 + 47% of AAI over \$35,500.

5. Employment Expense Allowance. This allowance for employment-related expenses--which is used for the parents of dependent students and for married independent students--recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family. The items covered by these additional expenses are: Food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse.

Percent of Income Paid in State Taxes by State, Dependency Status, and Income Level

State	Parents of dependent students and	Dependent students and

	Independent students with dependents other than a spouse		Independent students without dependents other than a spouse
	Income under \$15,000	Income \$15,000 & up	All income
Alabama.....	3	2	2
.....			
Alaska.....	2	1	0
.....			
Arizona.....	4	3	2
.....			
Arkansas.....	4	3	3
.....			
California.....	9	8	6
.....			
Colorado.....	4	3	3
.....			
Connecticut.....	9	8	5
.....			
Delaware.....	5	4	3
.....			
District of Columbia.....	7	6	6
.....			
Florida.....	3	2	1
.....			
Georgia.....	5	4	4
.....			
Hawaii.....	5	4	4
.....			
Idaho.....	5	4	4
.....			
Illinois.....	6	5	3
.....			
Indiana.....	4	3	3
.....			
Iowa.....	5	4	3
.....			
Kansas.....	4	3	3
.....			
Kentucky.....	5	4	4
.....			
Louisiana.....	3	2	2
.....			
Maine.....	6	5	3
.....			
Maryland.....	8	7	6
.....			
Massachussets.....	7	6	4
..			
Michigan.....	5	4	3
.....			
Minnesota.....	7	6	5
.....			
Mississippi.....	3	2	2
.....			
Missouri.....	5	4	3
.....			
Montana.....	5	4	3
.....			
Nebraska.....	5	4	3
.....			

Nevada.....			
.....	3	2	1
New Hampshire.....	4	3	1
New Jersey.....	9	8	5
New Mexico.....	3	2	2
New York.....			
.	10	9	7
North Carolina.....	5	4	3
North Dakota.....	2	1	1
Ohio.....			
.....	5	4	3
Oklahoma.....			
.....	3	2	2
Oregon.....			
.....	7	6	5
Pennsylvania.....			
.....	5	4	3
Rhode Island.....	6	5	4
South Carolina.....	4	3	3
South Dakota.....	2	1	1
Tennessee.....			
....	2	1	1
Texas.....			
.....	3	2	1
Utah.....			
.....	5	4	4
Vermont.....			
.....	6	5	3
Virginia.....			
.....	6	5	4
Washington.....			
....	3	2	1
West Virginia.....	3	2	3
Wisconsin.....			
.....	6	5	4
Wyoming.....			
.....	2	1	1
Other.....			
.....	2	1	1

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